

**REPORT OF THE AUDIT OF THE  
MADISON COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**June 22, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kent Clark, Madison County Judge/Executive  
Honorable Cecil Cochran Jr., Madison County Sheriff  
Members of the Madison County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Madison County Sheriff's Settlement - 2003 Taxes as of June 22, 2004.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Madison County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
MADISON COUNTY  
SHERIFF'S SETTLEMENT - 2003 TAXES**

**June 22, 2004**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY  
Telephone (502) 499-9088  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MADISON COUNTY**  
**SHERIFF'S SETTLEMENT - 2003 TAXES**

**June 22, 2004**

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Madison County Sheriff as of June 22, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$25,250,631 for the districts for 2003 taxes, retaining commissions of \$669,010 to operate the Sheriff's office. The Sheriff distributed taxes of \$24,343,787 to the districts for 2003 Taxes.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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Independent Auditor's Report

We have audited the Madison County Sheriff's Settlement - 2003 Taxes as of June 22, 2004. This tax settlement is the responsibility of the Madison County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Madison County Sheriff's taxes charged, credited, and paid as of June 22, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kent Clark, Madison County Judge/Executive  
Honorable Cecil Cochran Jr., Madison County Sheriff  
Members of the Madison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
September 10, 2004

MADISON COUNTY  
 CECIL COCHRAN JR., COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2003 TAXES

June 22, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,981,971	\$ 3,385,886	\$ 13,242,933	\$ 3,175,930
Tangible Personal Property	192,450	446,018	1,101,836	1,138,953
Intangible Personal Property				265,679
Fire Protection	58			
Increases Through Exonerations	11,165	19,490	68,480	46,938
Franchise Corporation	148,507	259,216	882,792	
Additional Billings	1,654	2,811	10,023	2,715
Limestone, Sand, and Mineral Reserves	196	332	1,291	313
Bank Franchises	163,715			
Penalties	11,378	20,009	75,923	20,734
Adjusted to Sheriff's Receipt	20	23		19
Gross Chargeable to Sheriff	<u>\$ 2,511,114</u>	<u>\$ 4,133,785</u>	<u>\$ 15,383,278</u>	<u>\$ 4,651,281</u>
<u>Credits</u>				
Exonerations	\$ 30,558	\$ 53,237	\$ 191,743	\$ 113,661
Discounts	37,294	60,273	224,039	72,474
Delinquents:				
Real Estate	52,120	89,562	349,317	83,464
Tangible Personal Property	5,110	9,136	29,352	18,728
Intangible Personal Property				2,349
Uncollected Franchise	445	762	5,203	
Total Credits	<u>\$ 125,527</u>	<u>\$ 212,970</u>	<u>\$ 799,654</u>	<u>\$ 290,676</u>
Taxes Collected	\$ 2,385,587	\$ 3,920,815	\$ 14,583,624	\$ 4,360,605
Less: Commissions *	101,675	162,968	218,754	185,613
Taxes Due	\$ 2,283,912	\$ 3,757,847	\$ 14,364,870	\$ 4,174,992
Taxes Paid	2,261,139	3,721,507	14,253,178	4,107,963
Refunds (Current and Prior Year)	22,773	36,340	111,692	67,029
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* See Next Page

The accompanying notes are an integral part of this financial statement.

MADISON COUNTY  
 CECIL COCHRAN JR., COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2003 TAXES  
 June 22, 2004  
 (Continued)

10% on	\$	10,000
4.25% on	\$	9,190,449
4% on	\$	1,466,558
1.5% on	\$	14,583,624

MADISON COUNTY  
NOTES TO FINANCIAL STATEMENT

June 22, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 22, 2004, the Sheriff's deposits were fully insured at a 100% level with pledged securities held by the Sheriff's agent in the Sheriff's name.

MADISON COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 22, 2004  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 2003, through April 24, 2004.

Note 4. Interest Income

The Madison County Sheriff earned \$3,800 as interest income on 2003 taxes. As of September 10, 2004, the Sheriff owes \$40 in interest to the Madison county school district. The Sheriff is due \$37 in interest from the Berea school district and \$4 in interest from the fee account.

Note 5. Sheriff's 10% Add-On Fee

The Madison County Sheriff collected \$97,662 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Madison County Sheriff collected \$1,839 of advertising costs and \$6,615 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). Since the Sheriff pays the advertising cost, he transferred the advertising cost to the fee account and the advertising fees were used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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The Honorable Kent Clark, Madison County Judge/Executive  
The Honorable Cecil Cochran Jr., Madison County Sheriff  
Members of the Madison County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Madison County Sheriff's Settlement - 2003 Taxes as of June 22, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Madison County Sheriff's Settlement - 2003 Taxes as of June 22, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

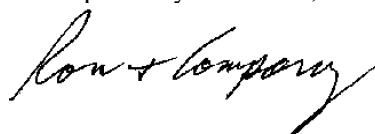
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Madison County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
September 10, 2004

